

The Field of Activity of the
War Economy Staff - Foreign Division

Berlin, 1 July 1943

The observation of economic developments in foreign countries, as carried out by "Foreign Economic Division", began in the economic division of the War Office under General Thomas in 1934. The present War Economy Staff in consequence profits by the services of a corps of trained, experienced experts who know certain branches and certain countries by reason of long association with activities abroad and long studies of foreign economic problems. Only men with fundamental knowledge of the subject can formulate a safe, useful picture out of the mass of information--colored, censored, often wilfully misleading--that they find at their disposal. The Staff enjoys valuable cooperation on the part of various universities, economic institutes, and research sections of important industrial concerns and banks.

The fundamental or original element of the organization's work--the gathering of information--has suffered since war began from the stoppage of reliable reports sent in by German consular and diplomatic representatives in enemy countries. It is also more difficult during the war to maintain contact with the secret agents established in foreign countries during peacetimes, while new relationships of such a nature can be made only rarely. Material from these agents must be subject to careful screening. The Division takes care to direct inquiries into useful channels as well as to screen and evaluate information received. Although the receipt of

printed matter has fallen off considerably, we are getting currently about 50 dailies and over 100 technical, commercial and industrial periodicals. Economic officers have been established in many European capitals, from whom valuable information is obtained; and other rich sources are the examination of foreign mail, the interrogation of war prisoners, and the monitoring of foreign broadcasts. 1½ to 2 million letters and telegrams are controlled daily, yielding from 100 to 300 important items of economic information. The interrogation of war prisoners has been of paramount importance in assembling economic information in the Soviet Union--raw material production, capacity of the industrial plant, sufficiency of the food output--which was particularly difficult to obtain by the usual methods. In 1942 and 1943 as many as 700 to 800 prisoner statements per month were considered and evaluated. Prisoners who could be regularly useful to the organization were associated with it for certain purposes.

The coordinated handling of prisoner statements made possible the drawing up of a list of Soviet industrial firms, containing important data on all the armament plants known, which formed the basis for further explanations and estimates made by field offices of the Division and other reporting agencies (of the General Staff of the Army, the Air Force, etc). By February 1943 the list included over 2000 medium and large-size plants of the armament industry. Shortly the tank industry will be covered in a similar way (127 plants), and coal production (106 coal fields). English and American prisoners are a meager source of information, on the contrary, as they are usually well schooled in parrying questions.

Even those willing to talk are not particularly useful as they are mostly young men without industrial experience.

A valuable source of information since war began has been foreign or enemy radio. Broadcasts on the war economy or on daily life-- particularly in the anglo-saxon countries--give good indications of shortages and weaknesses in war production that serve to confirm our guesses and estimates. In monitoring military radio communications on the eastern front we chanced on the fact that extensive reports and information on economic subjects were sent by air to Moscow from distant economic centers. Proper development of this source has led to the obtaining of very important data. Production of all kinds, needs, unfavorable conditions, etc., appear, high-lighted by criticism from Moscow and complaints from individual plants around this country. It is unfortunate that we are not able, technically, to utilize this source to the full; but the Division has been able to point the way to the best possible use of the information obtained.

Not only the evaluation of incoming material is important in the work of the Division: the organization must also direct the gathering of data and the formation of a large and useful body of material. But the gathering and evaluating of material is not an end in itself. It has many practical applications.

The knowledge gained serves primarily for the instruction or information of the military leaders or groups--both the small circle at the top and more widespread offices or agencies of the army or the government. Monographs and memoranda aid the highest Command and General Staff units in the planning of war operations, while comprehensive reports on

foreign economic conditions are used by army and divisional staffs and other interested organizations. In the winter of 1941-1942 a decision had to be made as to the continuing of operations in the coming summer, and at that time it was most necessary to judge the economic conditions-- particularly the productive capacity of the Soviet munitions industry. By reason of its work on prisoner statements, the Division was able to provide our military high command with what appears to have been a fairly accurate picture.

At the present time it is necessary for the high command to know the economic importance to Germany of certain territories in South and Southeastern Europe that are menaced by an English-American invasion, and what economic advantages would accrue to the enemy if these areas should be lost or should be given up. The Division will shortly give out the necessary facts, figures and charts on this subject.

Before the summer operations of 1942 began the Chief of the General Staff asked the Division such questions as the following: Will the areas that we plan to capture show an excess of food production, support themselves, or require assistance? By what date must the occupation be completed in order to get the harvest: Of what importance to the Soviet Union in the future conduct of the war would be the loss of the raw materials of this region? Particularly, what would be the effect of the loss of Caucasian petroleum on the economic situation of the Soviet Union?

The Division sent an officer to the Arctic Sea first to study the movement of goods into Murmansk. His investigation let to the increasing of submarine and air activities resulting in great losses to enemy shipping,

for instance, the destruction of two convoys in May 1942. The Division also drew attention to the advantages of interrupting traffic in the Caribbean Sea, a route by which the United States was supplied with important raw materials such as petroleum and bauxite. Submarine results in the Caribbean are well remembered by all of you. The Division puts out a series of long, comprehensive economic reports on foreign countries, as well as shorter special studies at various times for various uses. There are also two periodicals - one giving economic news items and the other furnishing every month or so situation reports, tables, etc., on various industries.

Knowledge of military economic conditions in foreign countries forms the background for a number of other contributions that the Foreign Division undertakes for the Supreme Command of the Armed Forces. These activities fall into three groups:

1. Treatment of all questions concerned with the military economic support of our allies, including the management of trade in military supplies - this trade touching not only the allies but neutral states such as Turkey, Sweden, Spain and Portugal.
2. Representation of the Armed Forces point of view and requirements in questions of foreign trade policy that must be taken up with the highest government groups, such as the Foreign Office, Economic Ministry, Food Ministry, etc.
3. Development of economic war propaganda at home and abroad, in co-operation with the other propaganda organizations.

Although the support of our allies is of a purely economic nature, as carried out, it must be directed by a military organism--the Supreme Command and its War Economy Staff--on account of the military importance of

upholding and strengthening the allied armies. The Division is of course useful in all questions of raw materials, industrial capacity, production of munitions, etc., in outside territories. When demands are presented from the allies the Division must examine both principles and details from both the foreign and the domestic side; it must carry on innumerable dealings with the visiting delegations, with policy, priority, allocation and production bodies in Germany, and also with units of the German military organizations whose demands may be adversely affected by our support of the ally in question. The Economic Ministry, the Foreign Office, the War Production Ministry, and other departments and offices come frequently into these discussions.

Since the Foreign Office is responsible for trade relations with allied and neutral states that department must be kept in close touch with deliveries of military equipment and materials in order that it obtain proper return for this movement when arranging trade agreements, etc. There is, in fact, a close working connection between the War Economic Staff and the Foreign Office. The Chief of the Economic Staff is a member of the Trade Policy Committee, which is presided over by the member representing the Foreign Office. The Division was intimately concerned in the entire lengthy and difficult studies, arrangements and negotiations leading to the chromium ore agreement with Turkey. Interesting examples of its work are furnished by the stories of a textile plant for Rumania and a blast furnace for Hungary.

Beginning early in 1940 War Economic Officers were established in Slovakia, Italy, Rumania, Hungary, Bulgaria, Croatia, Greece, Finland and formerly also in the neutral countries Sweden, Portugal, Spain and Switzer-

land. Administratively and with regard to military affairs these officers are under the military attache or the German general commanding in the country in question; but with respect to their main work they are outside representatives of the War Economic Staff and receive their directives from the Foreign Division. These officers are concerned not only with the material support of the country in question by the German Reich but also--and in many cases this is the important aspect--with the use of the military economic strength of the country in question as an aid to the German war effort. The latter aspect is the principal one in the case of the neutral states and Bulgaria, Serbia and Croatia.

Often the Foreign Division must argue a case on behalf of the Armed Forces with the Foreign Office or other government department. It was instrumental, for instance, in proving the value of certain steps to be taken and various arrangements to be made with regard to trade movements out of Sweden and Switzerland. What was needed in this case was some move to prevent enemy nations from receiving high value steel products from Sweden -- such as ball bearings -- and precision equipment items that only Switzerland could turn out. Inspection and control of certain transit trade movements were necessary, as well as bargaining and agreements in the field of foreign trade.

Economic or propaganda is a branch of the general war propaganda handled by the staff of the Armed Forces. It has the aim -- at home and in allied and occupied territory -- of strengthening the reliance of the people on the permanence and productivity of the German economy. To this end the contribution of German industry to neutral and allied countries is stressed while efforts are made to weaken the impression given by Anglo-Saxon and Soviet propaganda as to the strength of enemy economies. Exposure is made

of bottlenecks, organizational difficulties and material shortages. Articles are written by the Division for publication in various papers and periodicals and for broadcasting. Propaganda films are produced and leaflets are prepared for aerial distribution in enemy territory. Cooperation is given to censorship in their task of preventing the enemy from gathering material, through economic writings, on the actual production conditions of the German war economy.